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Biotechnology

Discussion Paper of German Ag-Industry about EU Biotech Policy Implications

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Approved by:

Bobby Richey, Jr.
US Embassy

Prepared by:

Dietmar Achilles

Report Highlights:

A group of German food and feed industry associations released a discussion paper expressing the industries' concerns about the negative implications of the EU biotech policy. The industry is highly concerned that the EU policy on biotechnology will cause significant supply problems for Germany. The concern is heightened by the prospect of new biotech events, such as the second generation RR soybeans, being introduced in the U.S. and other major soybean producing countries. The EU biotech policy prohibits the importation of food/feed products containing traces of not yet EU-approved biotech events.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
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A number of German agricultural associations representing the complete food and feed chain have publicly released a document, which describes the potential problems evolving from the strict European zero tolerance policy for biotech events. With this discussion paper the industry group intends to alert policy makers that the EU approval process for new biotech events must be timely, science-based and free from politics.

During the past year, German agricultural, food and feed industry representatives have been warning the German Government that the EU policy on biotechnology may contribute to rising of food production costs. German Agriculture Minister Horst Seehofer has a different view. He has publically stated that industry statements about the potential market impact of not addressing the EU agricultural biotechnology regulatory system are overblown and that German and EU importers should work more closely with other grain producers such as Ukraine, Russia, and Brazil to meet import needs.

Below is an unofficial translation of the industry discussion paper. This document will be used in industry discussions with policy makers, media and other interested groups.

Informal Translation

Secure Supply of Agricultural Commodities

Maintain Competitiveness of the German Food and Feed Industry

A background paper of the German food and feed industry
April 25, 2008

Zero-tolerance for not yet EU-approved GMO events threatens the supply situation for the agricultural commodities

- Beginning with the next planting season, new genetically modified (GM) soy varieties will be cultivated by U.S. farmers. These varieties are not yet approved for import into the EU. For this case the EU has established a zero-tolerance for imports of ag-products, which means that complete commodity shipments containing detected traces of these GMOs will be rejected by European authorities respectively taken off the market. This zero-tolerance rule is also applied even if the EU approval process for this GMO has already progressed so far that EFSA has completed its risk assessment with a supportive evaluation report.
- Following the USA, soon farmers in Brazil and Argentina are expected to cultivate the new GM soy varieties that have not yet been approved in the EU. Agricultural economists expect this to happen in 2009.
- Recent detections of traces of non-EU approved rice in rice products led to significant economic damages in the food industry because the companies had to recall their products and further sales were prohibited. In the meantime, the LL601 rice has been deregulated (approved) by U.S. authorities and the LL62 rice has been positively evaluated by the European Food Safety Agency (EFSA). Also today, the detection of traces of these GMO rice events in shipments to Europe would still generate the same authority reactions, including recalls and subsequent economic damages.
- Even if the producers in their home countries try to channel the new GMO varieties so that they do not enter into shipments to the EU a miniscule presence of traces cannot

be completely prevented. Adhering to a zero-tolerance rule is not possible in the international trade with agricultural commodities.

- Importers are not in the position to bear the financial risk that shiploads will be rejected. The result is that soy imports from the addressed countries will be discontinued to a large extent. For the same reason EU imports of corn gluten feed dropped from previously five million tons to zero in 2007.
- An interruption of primarily soybeans and soybean meal imports due to the missing EU approval will lead to an undersupply of protein feeds for the German livestock industry. The price for soybean meal could rise by 60 percent in 2009 (study of the EU Directorate General for Agriculture and Rural development). Similar consequences can be expected for the food industry where in particular the supply of soybean oil and soy lecithin would be affected.
- In the international arena this would result in competitive disadvantages for the German meat industry. In the poultry and swine industry 50 percent of the production costs are feeds. These industries would particularly be affected. According to a study of the EU Directorate for Agriculture the production of pork under the described conditions could shrink by up to 35 percent by 2010, and production of poultry meat could shrink by up to 44 percent.

Consequences for the Food and Feed Industry

- Under persistent unequal legal conditions the German and European food and feed industry will no longer be in the position to obtain input materials on the world market. Respectively they will no longer be competitive.
- In the medium and longer term livestock production will move away from Europe. Europe will increasingly have to import pork and poultry meat, e.g. from South America.

Options for Solution

- Faster Approval Process:

The European approval procedures for genetically modified agricultural commodities have to be significantly expedited, however, maintaining current safety standards.

- Threshold Level:

A tolerance level for marginal content of GMOs not yet approved in the EU is needed, a position which is also supported by EU Agricultural Commissioner Mariann Fischer Boel and the German Federal Institute for Risk Assessment (Bundesinstitut fuer Risikobewertung – BfR). The threshold level should not apply for not yet tested GMO events; it should only apply for events which are regarded safe by public authorities, e.g. which successfully underwent a risk assessment of the European Food Safety Agency (EFSA) or which have been officially regarded safe in other countries and released to the market. The setting of such a threshold level is in principle not new to the EU. For a transition period of three years after implementing the current EU regulations for genetically modified foods and feeds, a tolerance level of 0.5 percent for not yet EU-approved GMOs had been in place. In view of setting a threshold level the EU could follow the example of Switzerland which set a tolerance level of 0.5 percent for foods and is expected to soon set a level of 0.9 percent for feeds.

As minimum standards for determining the risk assessment process in non-EU countries the EU might refer to the standards recommended by Codex Alimentarius, which are likely to be approved in July 2008. Within the framework of Codex Alimentarius a standards harmonization for GMO risk assessment criteria is in progress for several years.

Background: Supplying the EU with Food and Feed Ingredients

Imports of Protein Feeds into the EU

- Only 22 percent of the total 57 MMT of protein feeds consumed in the EU had been domestically produced in 2007. About 78 percent, equivalent to 44 MMT had to be imported. The consumption of soybean meal amounted to 36.5 MMT, thereof 24 MMT (60 percent) had to be imported. Another 11.5 MMT (32 percent) of soybean meal has been processed from imported beans. Less than 1 MMT or just 2 percent of the consumed soybean meal originated from beans grown in the EU.
- The German livestock industry feeds about 5 MMT of soybean meal annually, which has been produced almost exclusively from imported soybeans predominantly originating from countries in North and South America. Soybean meal imports amount to 3.2 MMT. An additional 2.7 MMT of meal is processed from 3.4 MMT of imported beans. About 1 MMT of the domestically produced meal is again exported to other EU countries.

Imports of Soybeans for the Food and Feed Industry

- In 2007, 15.7 MMT of soybeans were imported by countries of the EU-27. Aside from soybean meal the oilmills produced 3 MMT of soybean oil and other important by-products such as lecithin for the food industry. In addition to this another 1 MMT of soybean oil has been imported into the EU. The soybean oil consumption amounts to almost 900,000 tons.

The Shrinking Market Influence of Europe as an Importer of Agricultural Commodities

- Europe's market influence in the international agricultural trade has been continuously shrinking over many years, e.g. to the advantage of China which is playing an ever growing role as an importer. Therefore the importance of European demand is shrinking. The European importers will not be in the position to enforce a general abandonment in the cultivation of certain biotech varieties in the producing countries and in the global trade arena.

Previous GAIN Reports		
GM7042	Biotech Traces in German Rapeseed Seeds	09/07/2007
GM7052	Biotech Outreach Programs to Germany	11/05/2007
GM8003	Without Biotech Food Label Standard	01/22/2008
GM8006	German Bundestag Passed Amendment of Biotech Law	01/31/2008
GM8014	German Genetech Law Finalized	03/05/2008